

This brochure is brought to you by
Freddie Mac and the
Seattle/King County Coalition for
Responsible Lending

Coalition Members include:

- Community Home Ownership Center
- Consumer Counseling Northwest
- Department of Community Trade and Economic Development
- Fremont Public Association
- HomeSight
- International District Housing Alliance
- King County Bar Association
- King County Housing and Community Development Program
- King County Office of Civil Rights
- Law Offices of Melissa Huelsman
- Northwest Justice Project
- Seattle Central Community College - Community Outreach Partnership Center
- Seattle Housing Authority
- City of Seattle Office for Civil Rights and City of Seattle Office of Housing
- Urban League of Metropolitan Seattle
- Washington ACORN
- Washington State Housing Finance Commission

Coalition Affiliates include:

(We appreciate the participation of our affiliates, however, the Coalition does not endorse any particular lenders or their products.)

- Fannie Mae
- HomeStreet Bank
- US Bank
- Seattle-King County Association of Realtors

This brochure is available in other languages and alternative formats.

Don't Borrow TroubleSM

Freddie
Mac

We Open Doors®

Predatory Lending Practices

Resources for Borrowers and Victims of Predatory Lending



Coalition for
Responsible Lending

Seattle • King County

What is Predatory Lending?

Predatory lending takes advantage of borrowers by charging higher fees and hidden costs. Every borrower is at risk, however the risk increases for people of color, the elderly and those with less than perfect credit.

This brochure gives you the information and referrals you need to educate and protect yourself from predatory lenders.

Sub-Prime vs. Predatory Lending

Sub-Prime Lending

A sub-prime loan helps borrowers with less than perfect credit, inconsistent employment history, or incomplete documentation. A sub-prime loan has a higher interest rate since the lender is taking a bigger risk in making the loan. The loan payment is set up within the borrower's ability to repay the loan. Terms of the loan are fully disclosed.

Predatory Practices

Predatory lending can be one or more **abusive** lending practices such as:

- charging excessive interest rates and/or higher points and fees
- failing to disclose the true terms of the loan
- approving a loan without consideration of the borrower's ability to repay
- pressuring a borrower to sign documents without understanding the terms of the loan
- "flipping" or frequent refinancing of a loan
- targeting people of color or elderly homeowners for high-cost loans

Possible Warning Signs

- Total bank fees greater than 2%
- Balloon payment
- Prepayment penalties
- Loan is based on home equity rather than income
- Credit life insurance added to the loan



Illegal Practices

Failing to provide required written disclosures such as: Good Faith Estimate (estimate of closing costs) and the Annual Percentage Rate (APR)

Misrepresentation of loan such as: Switching a fixed rate to an Adjustable Rate Mortgage (ARM) or switching from one interest rate to a higher rate at time of closing

Fraud such as: including credit life insurance without borrower's consent

Questions to Ask Your Lender

- What is:**
- The total loan amount AND what is the total amount financed?
 - The total monthly payment?
 - The length (term) of the loan
 - The difference between the Annual Percentage Rate (APR) and my interest rate?
 - The total amount of bank fees?

- Also ask:**
- Is there a balloon payment due?
 - Are there any prepayment penalties?
 - If so, what are they and for how long?
 - Does the interest rate increase if my payments are late?
 - Does my payment include taxes and insurance?

- If refinancing, also ask:**
- How much cash will I receive?



Avoid Predatory Lenders

GET EDUCATED! Contact CHOC at (206) 587-5641 for a list of educators and counselors in your area

CLEAN UP YOUR CREDIT before you apply for a loan

SHOP AROUND for different loan products and lenders

DO NOT DEPOSIT ANY CASH with a lender unless you know their refund policy

TAKE NOTES and keep all signed and unsigned documents

NEVER BE PRESSURED to sign documents before reading and understanding them

For more information and referrals contact:



Community Home Ownership Center
(206) 587-5641
1 (800) 317-2918
www.choc-wa.org
TTY: 711 (Relay Service)

Remember: if it sounds too good to be true, it probably is.

Help is Available

Information and Education
Community Home Ownership Center
(206) 587-5641
HomeSight
(206) 723-4355
ACORN Housing Corporation
(206) 723-5845
In Spanish contact:
El Centro de la Raza
(206) 329-9442
In Vietnamese, Cambodian, Chinese or Tagalog contact:
International Housing District Alliance
(206) 623-0122

To File a Complaint
Department of Financial Institutions
1 (800) 372-8303
Seattle Office for Civil Rights
(206) 684-4500
King County Office of Civil Rights
(outside Seattle) (206) 296-7592
Federal Trade Commission
(877) FTC-HELP (382-4357)

Foreclosure/Mortgage Default Counseling
If you are in danger of losing your home
Fremont Public Association
(206) 694-6766
Urban League of Metropolitan Seattle
(206) 461-3792

Free Legal Advice
Northwest Justice Project
1 (888) 201-1014 (Outside King County)
1 (888) 387-7111 (Age 60 or over)
King County Bar Association:
(206) 340-2593 (King County)